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International Economic Scoreboard™

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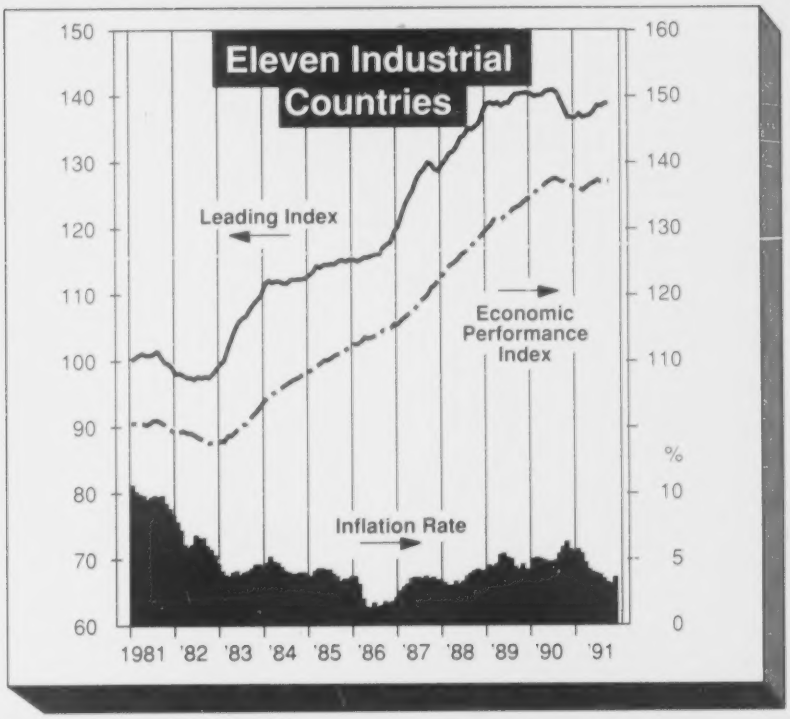
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	-1	1	1	-2	-1	2	Recovery stalled	Oct.
Ten countries (U.S. excl.)	3	3	3	2	-2	-2	-1	Expansion continuing, leaders weak	Oct.
North America (2)	3	-6	-2	-1	-3	4	6	Recovery underway	Oct.
Europe (4)	2	2	2	2	2	2	2	Expansion slowing	Oct.
Pacific Region (5)	4	4	4	3	-6	-7	-6	Expansion continuing, leaders weak	Oct.
United States	3	-5	-2	-2	-1	5	6	Recovery underway	Nov.
Canada	3	-4	-1	0	-5	1	4	Recovery underway	Oct.
West Germany	2	6	4	1	2	0	0	Expansion slowing, leaders weak	Oct.
France	2	3	4	3	4	5	1	Expansion continuing, leaders weak	Oct./Nov.
United Kingdom	2	-5	-4	-2	-2	0	0	Recession continuing	Oct.
Italy	2	4	0	6	-2	1	2	Expansion continuing	July/Aug.
Japan	4	6	6	3	-8	-9	-8	Expansion slowing, leaders weak	Oct.
Korea, R.O.K.	7	12	7	6	5	7	14	Expansion continuing	Oct.
Australia	3	-10	-4	-8	0	0	-2	Recession continuing, leaders weak	Nov.
New Zealand	2	-2	-1	0	-2	-1	4	Recession continuing, leaders improving	Oct.
Taiwan, R.O.C.	8	6	4	7	10	9	8	Expansion continuing	Nov.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Neutral Gear

The world business cycle seems pretty much stuck in neutral gear at the moment. Both indexes (chart at left) leveled off after July, although the leading index gives just the slightest hint of an uptilt.

In those countries that lived through a full-fledged recession in 1990-91—the U.S., Canada, U.K., and Australia—the consensus forecast calls for an expansion of economic activity in 1992. In all four, monetary policy has turned stimulative and nominal interest rates have come down sharply, especially short rates. In the U.S. and Canada, this forecast is at least partially confirmed by the leading indexes, but not so in the U.K and Australia.

Elsewhere prospects are mixed. Japan's leading index looks the most pessimistic. Germany's outlook is the most ambivalent.

The inflation picture, shown in detail on the next page, is both clearer and more encouraging. In November, the 11-country inflation rate accelerated by a half-percentage point from October, reflecting an increase in the rates for all eight countries for which November data are currently available.

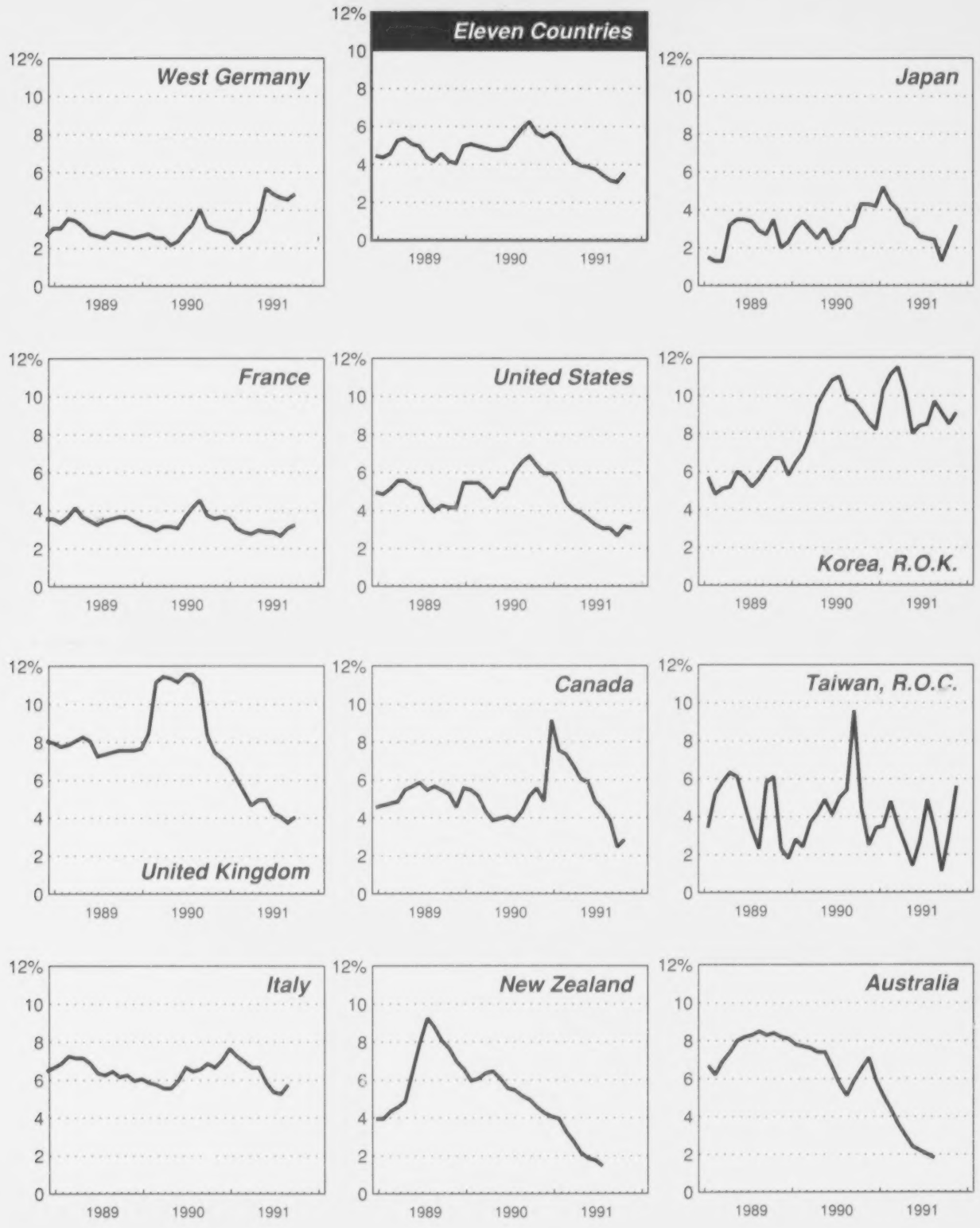
Nevertheless, the general pattern of the past 3 years is fairly uniform throughout the industrial world. Inflation accelerated in late 1990 and then reversed itself in 1991. The upswing in 1990 reflected the booming economy and the surge in oil prices at the beginning of the Gulf War. The improvement this past year reflected the usual anti-inflation impact of the global recession reinforced by falling oil prices. The prominent exception is Germany, where reunification of the country brought with it an acceleration of inflation in 1991.

Summary of Inflation Rates, Eleven Industrial Countries

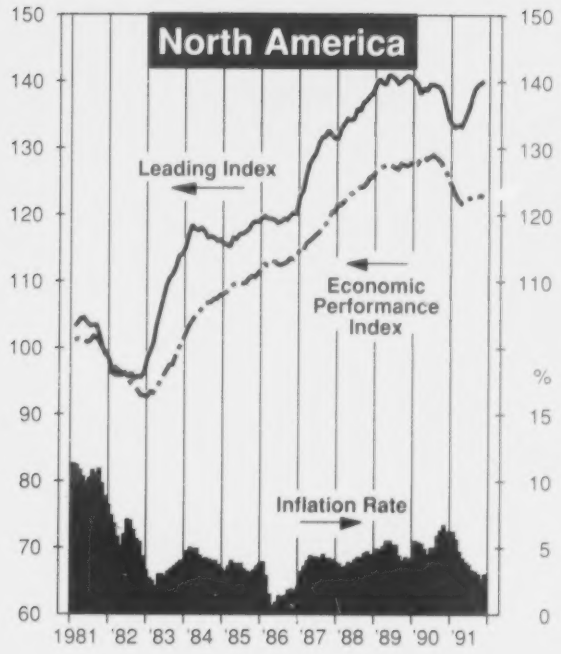
	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.9	3.4	3.5	Volatile	Nov.
Ten countries (U.S. excl.)	5.2	3.9	3.7	3.9	Steady	Nov.
North America (2)	5.6	3.9	3.2	3.0	Falling	Nov.
Europe (4)	6.6	4.1	4.4	4.4	Steady	Nov.
Pacific Region (5)	3.4	3.2	2.8	3.4	Rising	Nov.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	6.0	4.4	2.8	Falling	Nov.
West Germany	2.9	2.8	4.8	4.8	Rising	Nov.
France	7.3	2.7	2.8	3.2	Rising	Nov.
United Kingdom	7.3	4.6	4.2	4.0	Falling	Nov.
Italy	11.2	6.7	6.4	5.6	Falling	Oct.
Japan	2.5	3.1	2.4	3.2	Rising	Nov.
Korea, R.O.K.	8.1	8.0	9.7	9.1	High and Volatile	Nov.
Australia	8.4	4.4	2.4	1.8	Low and Falling	Aug.
New Zealand	11.8	3.9	2.1	1.4	Low and Falling	Aug.
Taiwan, R.O.C.	4.4	1.4	3.4	5.6	Rising	Nov.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Taming the Inflation Tiger



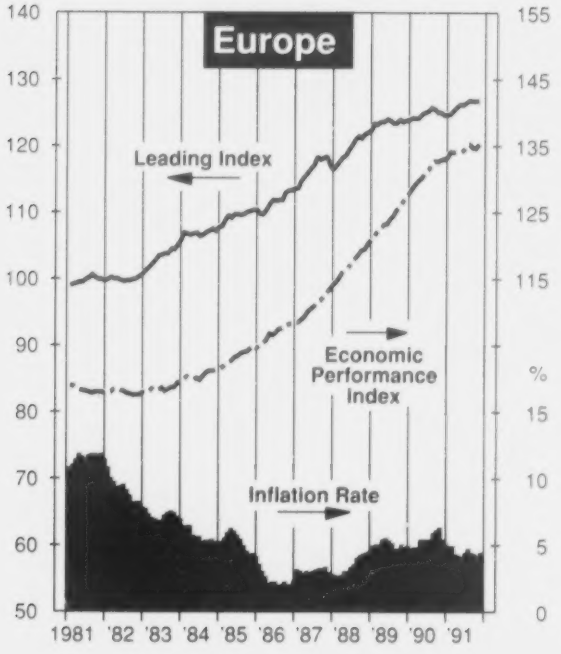
Regions

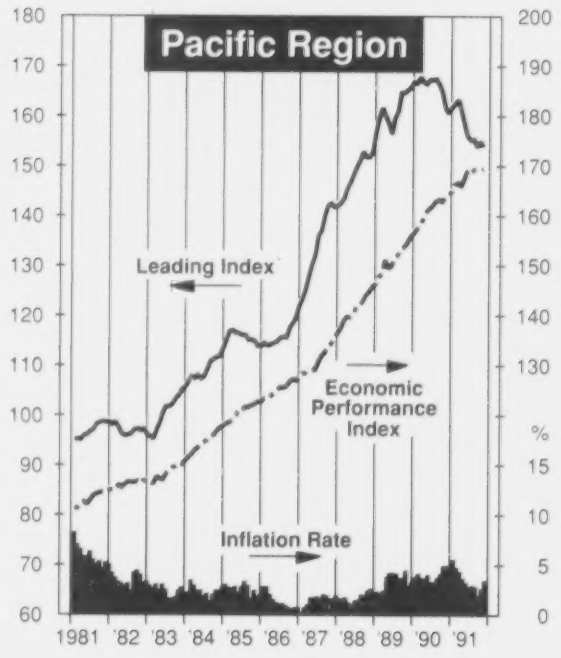


Mixed Pattern

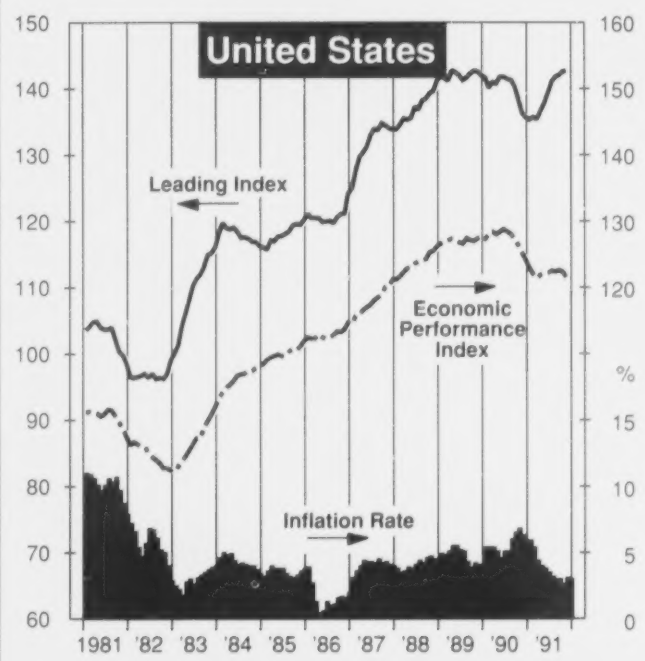
None of the regions shows a very pronounced business cycle movement in recent months. The leading indexes for North America and the Pacific Region, however, are telling us that at least some movement is due in the months ahead—an upswing in North America, and a downturn in the Pacific Region. The latter, of course, is dominated by Japan, and should not be read as being representative of the other four countries we report in that part of the world.

Over the past 6 months, inflation rates have not moved sharply in any region. Europe's rate is unchanged over the period, but the highest of the three regions. The best record is in North America, where inflation has slowed to 3.0 percent.





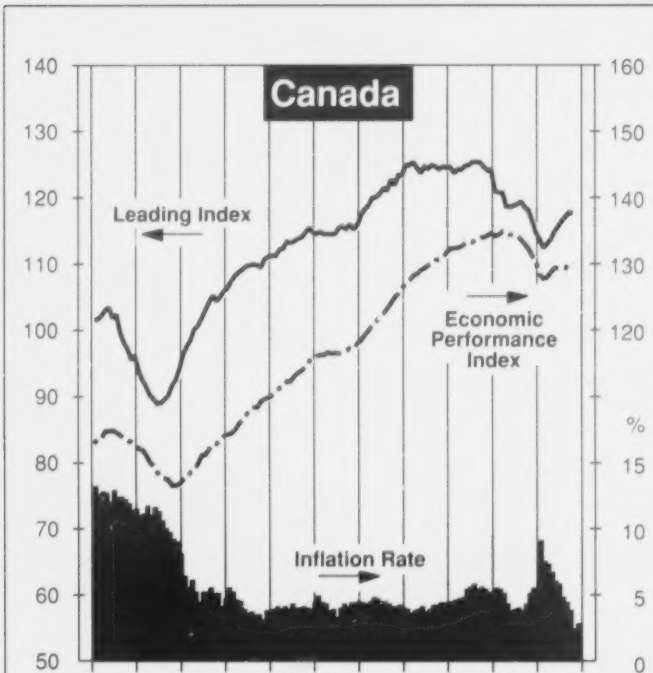
Countries



Recovery Stalled But Not Stopped

According to the performance index, the U.S. recession hit bottom in March of 1991, but since then no rebound of any magnitude has taken place. The leading index by contrast, has snapped back, sharply at first, gradually of late, recovering all of its loss during the recession. Unless the economy is in an altogether different place than in the past, the upswing in the leading index tells us the stalled economic recovery is temporary.

The inflation chart provides some happy reading. The rate is down from 5.9 percent a year ago to 3.0 percent at the end of 1991.

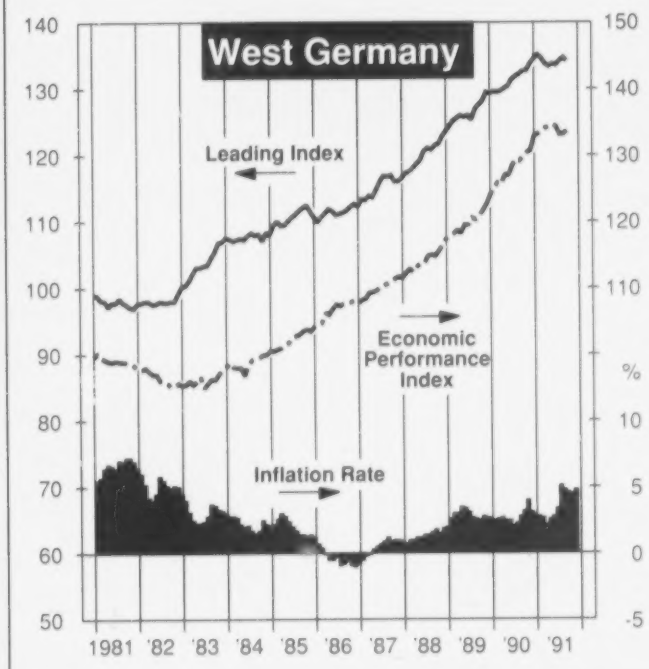


Another Slow Recovery

Both Canadian cyclical indexes show a pattern that is similar to their U.S. counterparts, with a more noticeable recovery in the leading index than the performance measure.

Two major differences between the neighboring countries are the unemployment rate, which is some 3 percentage points higher in Canada than in the United States, and the stock market, which in Canada advanced only about one-third as much over the course of 1991 as in the States.

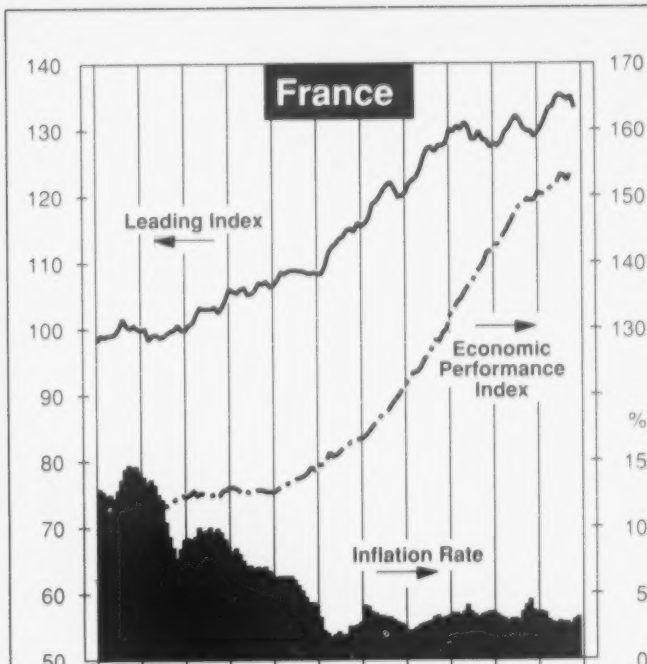
One major similarity is the rate of inflation: In both countries the rate has been coming down and has reached a modest level—2.8 percent in Canada, just fractionally lower than in the U.S. Except for Australia and New Zealand, the Canadian rate is the lowest in our group of countries.



Ambivalent Signals

The West German indexes are giving ambivalent signals about the direction of the business cycle. The general impression from these series is that the economy is dead in the water. Most forecasters expect growth to slow but remain positive. The stock market, which has been declining fairly steadily since mid-year, is more pessimistic than that. Quite possibly it is reflecting the country's high interest rates.

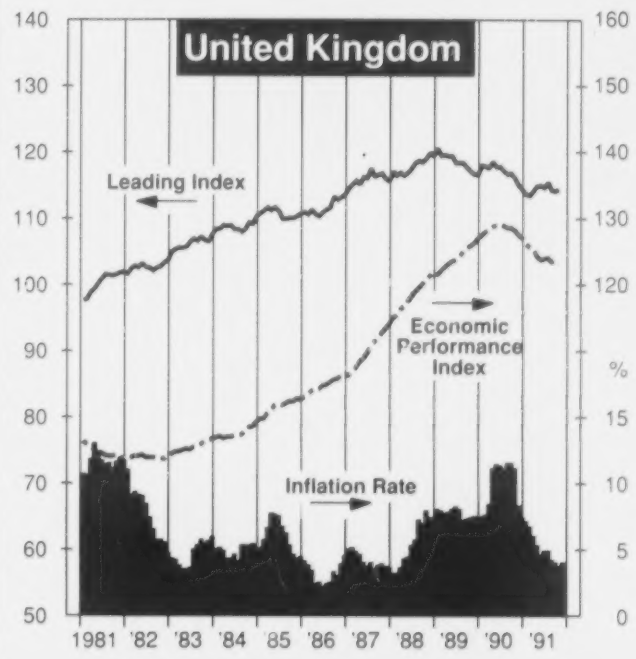
The level of interest rates reflects, in turn, last year's acceleration of inflation in this most inflation-phobic of nations. At 4.8 percent, Germany's inflation rate is exceeded only in Italy, Taiwan and Korea.



More Mixed Signals

The French business cycle indexes are beginning to look a little ambivalent too. The Performance Index is still rising at a respectable clip, despite a bad trend in unemployment, which climbed to 9.7 percent in October. But the leading index is down modestly since July, because residential building permits, new unemployment claims, materials prices, and the stock market have all weakened.

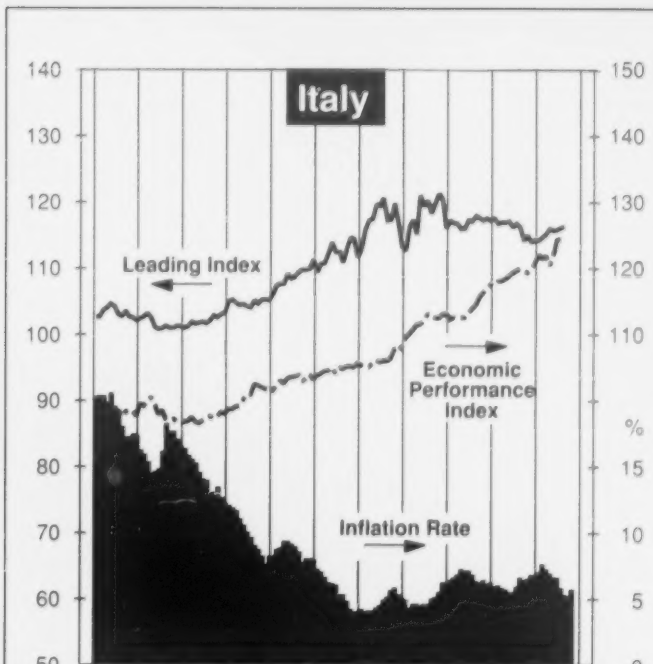
The inflation rate, most recently reported at 3.2 percent, accelerated just a bit this past fall.



Uncertainties About Recovery

The U.K. economy continues in recession. What in the spring had looked like a nascent recovery has given way—despite rising stock prices—to renewed pessimism and further increases in unemployment. Most forecasters project recovery in 1992, but at a very gradual pace.

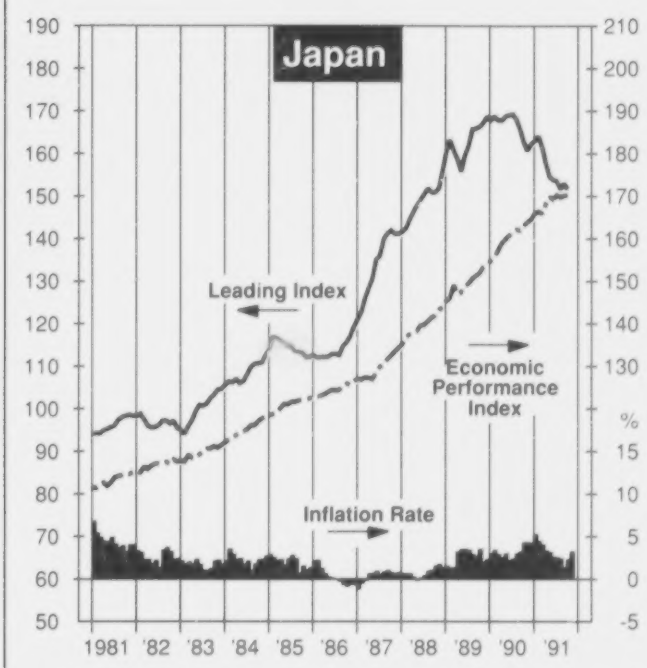
Other than the stock market, one modest consolation is the slowing of inflation, down to 4.0 percent at last count.



Expansion Continues

The Italian indexes (both of which are a couple of months out of date, as usual) point toward a continuation of the gradual cyclical upswing.

Although Italy's inflation has been slowing this past year, as it has almost everywhere, the 5.7 percent rate remains the highest in Europe, and second only to Korea among the 11 nations in this report.

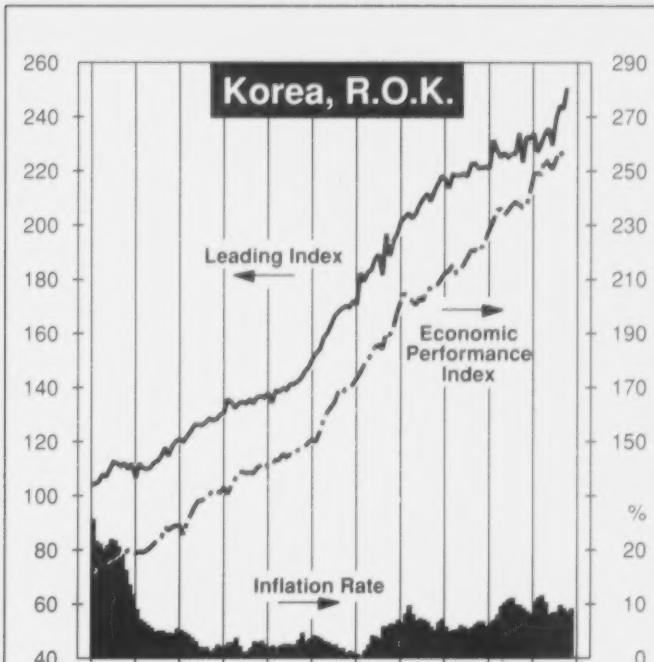


Recession or Close

Japan is in recession, or the next thing to it. The Performance Index has not actually declined, but its flat trend since May is a recession by Japanese standards.

Furthermore, despite an easing of monetary policy and plans for an expansion of public works spending, hope for a quick return to expansion seems quite limited. Persistent weakness in overtime hours, housing starts, stock prices, and profit margins have pushed the October leading index to a new low for this cycle.

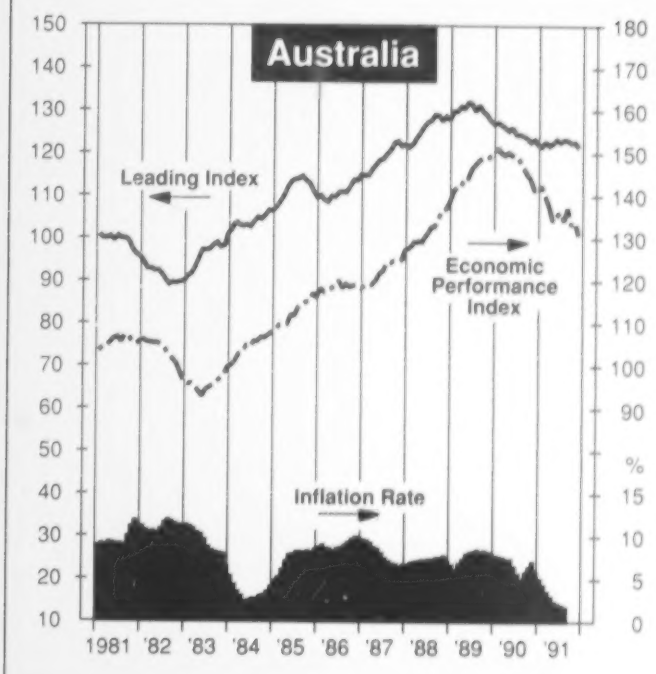
Japan's inflation continues at a moderate pace—3.2 percent as of November.



Gangbusters

The Korean business cycle is still going gangbusters. True, the Performance Index leveled off these latest two months, but that probably should be ignored as just another temporary erratic fluctuation in the series, and especially so when the leading index is advancing so powerfully.

The country's inflation has been fairly steady this summer and fall, but at a high rate—9.1 percent as of November. Indeed this is the highest rate by a wide margin of any country in this report and two and a half times the 11-nation average.

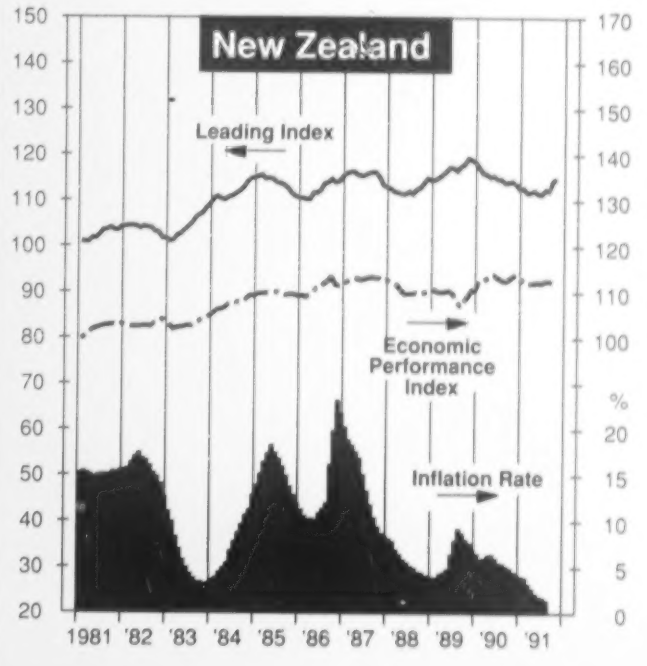


No Recovery Yet

Australia was the first country into recession in 1990 and hasn't got out of it yet. Factory production, employment and unemployment all deteriorated further this past November.

Furthermore, the recovery signals that appeared earlier in 1991 have faltered. Interest rates are down to their lowest levels in a decade. Recovery from the recession is the consensus forecast, but the sagging leading index shows no sign of it yet.

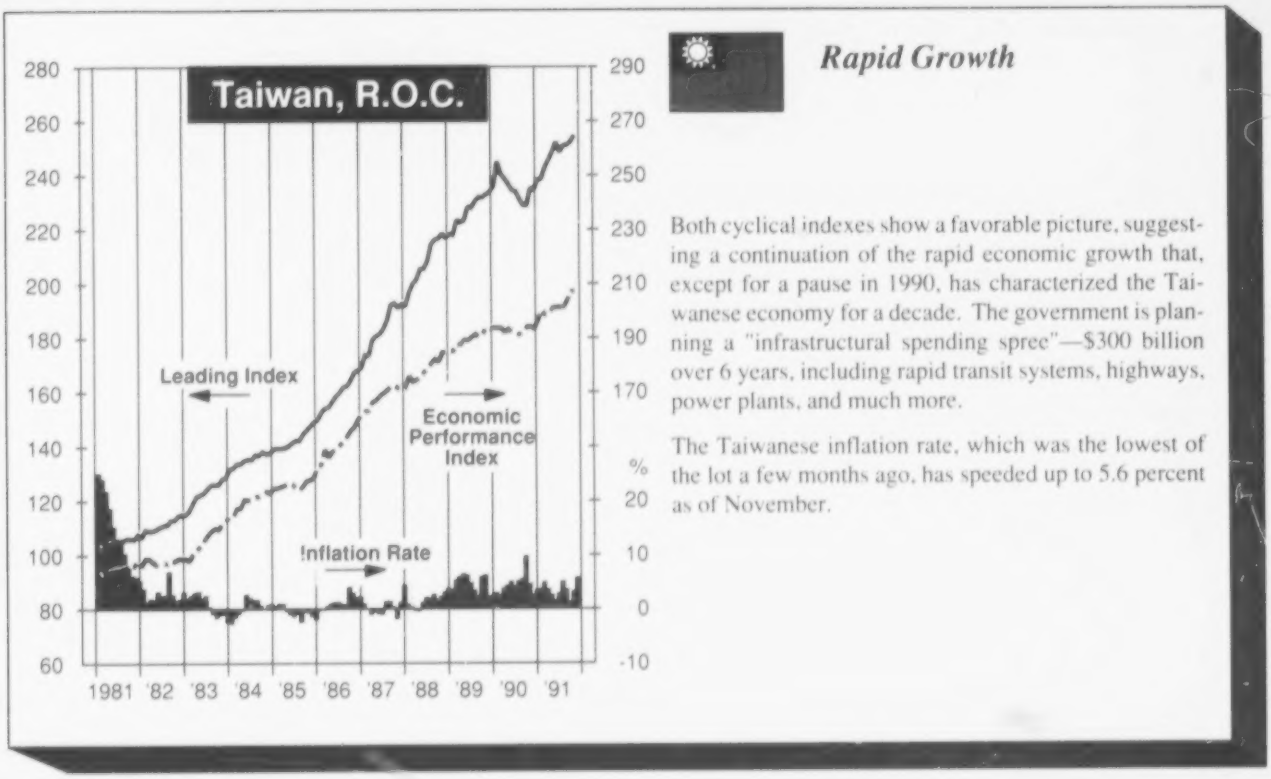
The inflation rate, at latest report below 2 percent, is low and falling.



Modest Signs of Life

The Kiwi business cycle has been sluggish for several years now, not in recession but not in a recovery phase either. Unlike their neighbors across the Tasman Sea, however, New Zealand's leading index has shown some modest signs of life over the summer and early fall months.

Inflation continues to decelerate. At 1.4 percent the rate is the lowest of the 11 countries.



Rapid Growth

Both cyclical indexes show a favorable picture, suggesting a continuation of the rapid economic growth that, except for a pause in 1990, has characterized the Taiwanese economy for a decade. The government is planning a "infrastructural spending spree"—$300 billion over 6 years, including rapid transit systems, highways, power plants, and much more.

The Taiwanese inflation rate, which was the lowest of the lot a few months ago, has speeded up to 5.6 percent as of November.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: Derrick Willman, Editor
For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	138	141	144	140	129	140	132	126	163	168
Aug.	90	138	140	144	140	128	139	133	126	164	167
Sept.	90	137	140	144	139	128	138	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	137	144	137	126	134	133	125	164	161
Dec.	90	136	137	145	138	124	134	133	125	165	162
Jan.	91	136	137	146	138	123	133	134	125	167	163
Feb.	91	136	137	146	138	122	134	134	126	167	164
Mar.	91	136	137	145	138	122	133	134	126	166	161
Apr.	91	136	137	146	137	122	134	134	126	168	159
May	91	137	137	147	136	123	136	134	126	169	156
June	91	137	138	147	136	123	137	135	127	169	156
July	91	137	139	147	137	123	139	135	127	170	156
Aug.	91	137	138	147	136	123	140	135	127	170	154
Sept.	91	137	139	147	137	123	140	135	127	170	155
Oct.	91	137	139	148	136	123	140	136	127	170	154
		Growth Rates, Percent									
July	90	4	1	6	2	1	0	6	2	7	2
Aug.	90	4	0	6	1	0	-1	6	2	6	0
Sept.	90	2	-1	4	-1	-1	-2	5	1	5	-2
Oct.	90	2	-3	4	-2	-2	-4	4	1	5	-5
Nov.	90	1	-4	3	-3	-4	-6	4	0	4	-6
Dec.	90	0	-4	3	-2	-5	-6	3	0	4	-4
Jan.	91	0	-4	4	-2	-6	-6	4	0	5	-3
Feb.	91	-1	-3	3	-1	-7	-5	3	1	5	-2
Mar.	91	-1	-3	2	-2	-7	-5	3	1	3	-4
Apr.	91	-1	-2	3	-2	-6	-3	2	2	4	-6
May	91	0	-2	3	-3	-5	-1	2	1	5	-8
June	91	0	-1	3	-3	-4	2	2	2	4	-8
July	91	1	1	3	-2	-2	4	2	2	4	-7
Aug.	91	0	1	2	-2	-2	5	1	2	4	-8
Sept.	91	1	2	2	-1	-1	6	1	2	3	-5
Oct.	91	1	2	2	-1	-1	6	2	2	3	-6
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	141	134	119	128	131	148	132	129	117	120	117	161	169	237	226	149	125	113	115	192	234
Aug.	90	128	141	134	119	129	132	149	132	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	127	140	133	118	129	132	149	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	126	138	132	118	130	133	150	130	128	116	119	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	125	136	131	116	130	133	149	130	128	115	120	114	164	160	237	233	142	124	114	114	195	236
Dec.	90	124	136	130	115	131	134	150	129	127	114	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	135	128	114	133	134	151	130	126	114	122	114	166	163	248	234	142	122	113	113	197	239
Feb.	91	122	136	128	112	133	135	150	131	126	114	122	115	166	164	249	227	140	123	112	112	201	239
Mar.	91	121	135	128	113	134	135	150	132	126	114	122	115	166	161	249	230	138	122	112	112	199	243
Apr.	91	122	136	129	114	134	134	151	133	124	115	120	116	168	158	255	234	134	123	112	112	199	246
May	91	122	138	129	115	134	133	152	134	124	115	122	116	170	154	253	236	136	124	112	112	202	249
June	91	122	139	129	116	135	134	152	135	124	115	124	116	169	154	251	229	137	123	112	112	202	253
July	91	122	141	130	116	134	134	153	135	124	116	125	116	170	153	254	239	134	124	113	113	202	249
Aug.	91	122	142	129	117	133	134	153	135	124	114		116	170	152	257	244	138	123	113	112	202	251
Sept.	91	122	142	130	118	133	135	152	135	124	114			170	153	255	243	134	123	112	115	204	252
Oct.	91	122	142	130	118	134	134	154	135	124	114			170	151	256	251	134	123		115	208	253
Nov.	91	121	143						133									131	122			208	255
		Growth Rates, Percent																					
July	90	1	0	0	-5	8	4	8	5	2	-1	4	-1	8	2	8	2	-2	-4	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	4	8	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-2	-2	-4	6	4	7	1	1	-1	2	-5	6	-2	6	8	-5	-4	0	-3	0	-5
Oct.	90	-2	-4	-2	-4	6	4	7	0	0	-2	2	-3	6	-6	4	-2	-6	-5	1	-2	2	-5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-3	2	-3	1	0
Dec.	90	-5	-6	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	-3	-5	4	-3	6	-4	10	5	-6	-4	-1	-3	4	2
Feb.	91	-7	-5	-7	-9	7	5	4	1	-4	-5	3	-2	6	-2	9	-1	-8	-2	-2	-4	7	2
Mar.	91	-7	-5	-6	-7	7	4	3	2	-4	-3	3	-1	4	-5	8	1	-10	-3	-2	-4	5	6
Apr.	91	-6	-3	-4	-5	6	2	3	4	-5	-2	0	1	6	-8	12	5	-13	-2	-1	-2	5	8
May	91	-5	1	-3	-2	5	1	3	4	-5	-1	3	1	7	-11	8	5	-10	0	-1	-3	6	10
June	91	-4	2	-2	-1	5	1	3	5	-4	-1	6	1	5	-10	6	0	-7	-1	-1	-3	6	12
July	91	-3	4	-1	1	4	0	4	6	-4	0	6	2	6	-9	7	7	-9	0	0	-1	5	8
Aug.	91	-2	5	-1	2	1	1	3	5	-4	-1		2	4	-10	9	10	-4	0	0	-1	4	9
Sept.	91	-1	6	0	4	1	1	2	4	-3	-1			4	-7	6	8	-7	0	0	3	6	8
Oct.	91	-1	6	0	4	1	0	3	4	-2	0			3	-8	6	14	-5	0		4	8	7
Nov.	91	-2	6						1									-8	-2			7	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8